



Christianna Wood  
Investment Officer  
P.O. Box 2749  
Sacramento, CA 95812-2749  
Telecommunications Device for the Deaf - (916) 795-3240  
Telephone: (916) 795-0209

June 7, 2006

\_\_\_\_\_  
Chair-Compensation Committee  
(Name of company)  
(Address)

Dear \_\_\_\_\_:

The California Public Employees' Retirement System (CalPERS) is the largest U.S. public pension fund with over \$200 billion in total assets. It is with the greatest concern as an institutional shareowner of \_\_\_\_\_ shares of (name of company) that I write you today regarding the serious threats to the credibility, governance and performance of (name of company). Recently published allegations of the company's management backdating option grants prompting an investigation by the Securities and Exchange Commission poses a serious threat to the creation and sustainability of long-term value for shareowners.

The implications of these allegations are:

- Lack of oversight by the Board of Directors
- Weak internal controls
- Weak internal and external audit practices
- Poor accounting
- Significant income tax consequences for persons implicated for backdating options
- Problems with the Executive Compensation Plan Administrator

As the Board of Directors works to identify and correct problems resulting from these allegations and the Securities and Exchange Commission investigation, CalPERS recommends that (name of company) directors to do the following:

June 7, 2006

Page 2

- Conduct an independent investigation into the allegation of employee stock option backdating.
- Publicly disclose all findings resulting from both internal and external investigations, regardless of the outcome.
- Develop and disclose in public financial statements and proxy statements a new Board of Directors' policy for the determination of all option grant dates.
- Adopt and implement a strong policy that requires the Board of Directors through the Compensation Committee to conduct an audit of the Executive Compensation Plan Administrator for compliance with Board approved directives pertaining to executive compensation.
- Refrain from using any company resources to satisfy the tax and legal liability for executives implicated for wrongdoing related to the backdating of options.
- Commit to have the external auditor for the company ratified by shareowners on an annual basis.
- Take steps to ensure that the Board evaluation, Committee evaluation and individual director evaluation process includes substantial and meaningful oversight by individual directors and the Board of Directors as a whole.

Please contact (name, position, phone number of staff person) to provide CalPERS the Board of Directors' response to each of our seven recommendations.

Sincerely,

Christianna Wood  
Senior Investment Officer  
Global Equity

Cc: Executive Staff  
Dennis Johnson

**Portfolio Companies for Engagement  
Employee Stock Option Backdating  
As of June 7, 2006**

Here are the companies that CalPERS is contacting on the stock option issue, with the number of company shares held by the pension fund:

<b><u>Company Name</u></b>	<b><u>Ticker</u></b>	<b><u>Shares Held</u></b>
Affiliated Computer Services	ACS	660,515
Altera Corp.	ALTR	1,854,890
American Tower Corp.	AMT	2,110,099
Analog Devices	ADI	2,779,821
Brooks Automation	BRKS	462,836
Caremark	CMX	2,258,571
Comverse Technology	CMVT	719,722
F5 Networks Inc.	FFIV	248,000
Jabil Circuit Inc.	JBL	1,465,826
KLA-Tencor Corp.	KLAC	1,010,025
Maxim Integrated Products	MXIM	1,874,646
McAfee Inc.	MFE	1,175,118
Meade Instruments	MEAD	29,100
Medarex Inc.	MEDX	430,000
Openwave Systems	OPWV	377,400
Power Integrations Inc.	POWI	205,900
RSA Security	RSAS	254,300
Safenet Inc.	SFNT	233,126
Semtech Corp.	SMTC	295,300
Sepracor Inc.	SEPR	497,529
Sycamore Networks	SCMR	1,392,550
Trident Microsystems	TRID	501,400
UnitedHealth Group	UNH	6,704,497
Vitesse Semiconductor	VTSS	969,216